

SOUTH PAGE COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2006

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South Page Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2005 Election)		
Larry Murphy	President	2005
Ron Peterman	Board Member	2005
Ellen Nothwehr	Board Member	2006
Brenda Swanson	Board Member	2007
Terry Carlson	Board Member	2006

Board of Education (After September 2005 Election)		
Ron Peterman	President	2008
Brenda Swanson	Board Member	2007
Ellen Nothwehr	Board Member	2006
Terry Carlson	Board Member	2006
Deb Wallin	Board Member	2008

School Officials		
Dr. William Stattelmann	Superintendent	2006
Tammie Woodruff	District Secretary (Resigned)	2006
Suzanne Smith	District Secretary (Interim)	2006
Vicki King	District Secretary (Appointed)	2006
Ahlers & Cooney, P.C.	Attorney	2006

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
South Page Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the South Page Community School District, College Springs, Iowa as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of South Page Community School District at June 30, 2006, and the respective changes in financial position and cash flows, where applicable, for the year ended in conformity with U.S. generally accepted accounting principles.

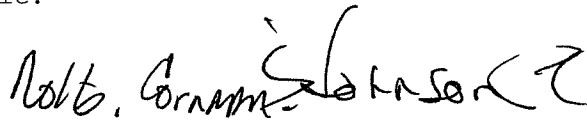
In accordance with Government Auditing Standards, we have also issued our report dated October 25, 2006 on our consideration of South Page Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 35 through 36 are not required parts of the basic financial statements, but are supplementary

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information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise South Page Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2005 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink, appearing to read "Nolte, Cornman & Johnson, P.C.", with a stylized flourish at the end.

NOLTE, CORNMAN & JOHNSON, P.C.

October 25, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS

South Page Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2006. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2006 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$2,443,877 in fiscal 2005 to \$2,258,456 in fiscal 2006, while General Fund expenditures increased from \$2,426,380 in fiscal 2005 to \$2,440,851 in fiscal 2006. This resulted in a decrease in the District's General Fund balance from \$598,966 in fiscal 2005 to \$418,378 in fiscal 2006, a 30.1% decrease from the prior year.
- The decrease in General Fund revenues was attributable to a decrease in property tax and state sources in fiscal 2006. The increase in expenditures was due primarily to an increase in the instruction functions.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of South Page Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report South Page Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which South Page Community School District acts solely as an agent or custodial for the benefit of those outside of the School District.

Notes to the financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1

South Page Community School District Annual Financial Report

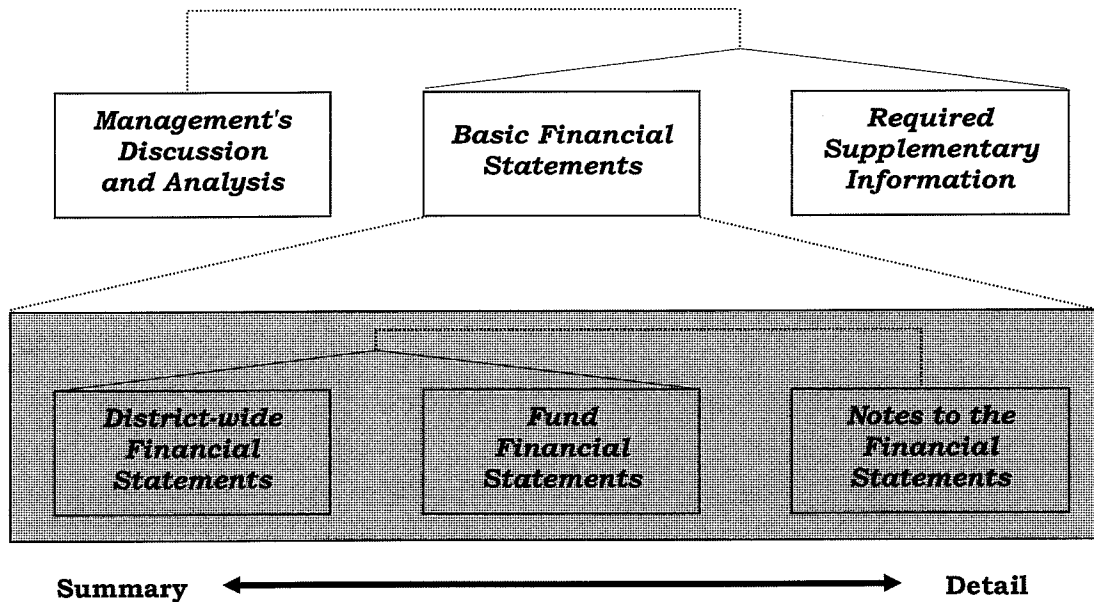


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2 Major Features of the Government-Wide and Fund Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses, e.g., food service	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of revenues, expenses and changes in net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to

measure the District's financial health or position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business-type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.

The required financial statements for the governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's enterprise funds, one type of proprietary fund, are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The District currently has one enterprise fund, the School Nutrition Fund.

The required financial statements for the proprietary funds include a statement of revenues, expenses and changes in net assets and a statement of cash flows.

- 3) *Fiduciary funds:* The District is a trustee, or fiduciary, for assets that belong to others. These funds include the Private-Purpose Trust.

The Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a statement fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's total net assets at June 30, 2006 compared to June 30, 2005.

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business-Type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2006	2005	2006	2005	2006	2005	2005-06
Current and other assets	\$ 2,144,720	2,056,054	2,575	2,456	2,147,295	2,058,510	4.31%
Capital assets	1,537,402	1,484,049	5,067	0	1,542,469	1,484,049	3.94%
Total assets	3,682,122	3,540,103	7,642	2,456	3,689,764	3,542,559	4.16%
Long-term obligations	195,000	230,000	0	0	195,000	230,000	-15.22%
Other liabilities	1,498,117	1,231,890	8,921	18,166	1,507,038	1,250,056	20.56%
Total liabilities	1,693,117	1,461,890	8,921	18,166	1,702,038	1,480,056	15.00%
Net assets:							
Invested in capital assets, net of related debt	1,483,478	1,292,450	5,067	0	1,488,545	1,292,450	15.17%
Restricted	50,633	39,177	0	0	50,633	39,177	29.24%
Unrestricted	454,894	746,586	(6,346)	(15,710)	448,548	730,876	-38.63%
Total net assets	\$ 1,989,005	2,078,213	(1,279)	(15,710)	1,987,726	2,062,503	-3.63%

The District's combined net assets decreased by 3.63%, or \$74,777, over the prior year. The largest portion of the District's net assets is the invested in capital assets, net of related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased \$11,456, or 29.24% over the prior year. The increase was primarily a result of the increase in the Special Revenue, Physical Plant and Equipment Levy Fund.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased \$282,328, or 38.63%.

Figure A-4 shows the changes in net assets at June 30, 2006 and 2005.

Figure A-4 Changes of Net Assets							
	Governmental Activities		Business-Type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2006	2005	2006	2005	2006	2005	2005-06
Revenues:							
Program revenues:							
Charges for services	\$ 189,475	194,515	39,051	39,346	228,526	233,861	-2.28%
Operating grants and contributions and restricted interest	363,524	347,795	54,330	54,034	417,854	401,829	3.99%
General revenues:							
Property tax	943,297	1,022,306	0	0	943,297	1,022,306	-7.73%
Local option sales and service tax	143,026	145,569	0	0	143,026	145,569	-1.75%
Unrestricted state grants	965,329	1,034,427	0	0	965,329	1,034,427	-6.68%
Other	52,878	10,748	89	0	52,967	10,748	392.81%
Total revenues	2,657,529	2,755,360	93,470	93,380	2,750,999	2,848,740	-3.43%
Program expenses:							
Governmental activities:							
Instructional	1,773,381	1,676,195	0	0	1,773,381	1,676,195	5.80%
Support services	787,329	801,417	0	0	787,329	801,417	-1.76%
Non-instructional programs	0	0	82,316	92,822	82,316	92,822	-11.32%
Other expenses	186,027	274,929	0	0	186,027	274,929	-32.34%
Total expenses	2,746,737	2,752,541	82,316	92,822	2,829,053	2,845,363	-0.57%
Change in net assets before capital contributions	(89,208)	2,819	11,154	558	(78,054)	3,377	-2411.34%
Capital contributions	0	0	3,277	0	3,277	0	100.00%
Change in net assets	(89,208)	2,819	14,431	558	(74,777)	3,377	-2314.30%
Net assets beginning of year	2,078,213	2,075,394	(15,710)	(16,268)	2,062,503	2,059,126	0.16%
Net assets end of year	\$ 1,989,005	2,078,213	(1,279)	(15,710)	1,987,726	2,062,503	-3.63%

In fiscal 2006, property tax and unrestricted state grants account for 71.8% of the revenue from governmental activities while charges for services and operating grants and contributions account for 99.9% of the revenue from business type activities.

The District's total revenues were approximately \$2.75 million of which \$2.66 million was for governmental activities and \$0.09 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a decrease of 3.43% in revenues and a 0.57% decrease in expenses. The decrease in expenses was related to the decrease in nutrition expenses during the year.

Governmental Activities

Revenues for governmental activities were \$2,657,529 and expenses were \$2,746,737. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services and other expenses.

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services	Net Cost of Services
Instruction	\$ 1,773,381	1,314,014
Support services	787,329	783,971
Other expenses	186,027	95,753
Totals	<u>\$ 2,746,737</u>	<u>2,193,738</u>

- The cost financed by users of the District's programs was \$189,475.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$363,524.
- The net cost of governmental activities was financed with \$943,297 in property tax, \$143,026 in local option sales and services tax, \$965,329 in unrestricted state grants and \$11,256 in interest income.

Business-Type Activities

Revenues of the District's business-type activities were \$93,470 and expenses were \$82,316. The District's business-type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, the South Page Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$614,647, below last year's ending fund balances of an \$824,859. However, the primary reason for the decrease in combined fund balances in fiscal 2006 is due to the decrease in the General Fund.

Governmental Fund Highlights

- The District's deteriorating General Fund financial position is the result of The decrease in revenues in local taxes and state sources
- The Capital Projects Fund balance decreased from \$158,870 in fiscal 2005 to \$89,263 in fiscal 2006. This decrease was the result of the increase in expenditures during the year.

Proprietary Fund Highlights

The Proprietary Funds net assets increased from a deficit \$15,710 at June 30, 2005 to a deficit \$1,279 at June 30, 2006, representing an increase of 3.4%. For fiscal 2006, the District received less monies from charges for services, state and federal sources.

BUDGETARY HIGHLIGHTS

The District's revenues were \$430,620 less than budgeted revenues, a variance of 13.7%. The most significant variance resulted from the District receiving less in federal sources than originally anticipated.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2006, the District had invested \$1,542,469, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net increase of 3.79% from last year. More detailed information about capital assets is available in Note 6 to the financial statements. Depreciation expense for the year was \$98,239.

The original cost of the District's capital assets was \$4,052,316. Governmental funds account for \$3,975,676 with the remainder of \$76,640 in the Proprietary funds.

The largest change in capital asset activity during the year occurred in the land improvements category. The District's land improvements totaled \$196,927 at June 30, 2006, compared to \$108,616 reported at June 30, 2005.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities		Business-Type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2006	2005	2006	2005	2006	2005	2005-06
Land	\$ 52,000	52,000	0	0	52,000	52,000	0.00%
Construction in progress	29,176	0	0	0	29,176	0	100.00%
Buildings	1,168,586	1,208,829	0	0	1,168,586	1,208,829	-3.44%
Land improvements	196,927	108,616	0	0	196,927	108,616	44.84%
Machinery and equipment	90,713	114,604	5,067	0	95,780	114,604	-19.65%
Total	\$ 1,537,402	1,484,049	5,067	0	1,542,469	1,484,049	3.79%

Long-Term Debt

At June 30, 2006, the District had \$195,000 in revenue bonded indebtedness outstanding. This represents a decrease of 15.2% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 7 to the financial statements.

The District had outstanding revenue bonds of \$195,000 at June 30, 2006.

Figure A-7
Outstanding Long-Term Obligations

	Total School District		Total Change
	June 30,		June 30,
	2006	2005	2005-06
Revenue bonds	\$ 195,000	230,000	-15.2%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- State budget cuts continue to be a concern for the District, shifting the majority of funding on property taxes.
- October 2006 certified enrollment increased by 0.9 students.
- The District will be working with the local mayors to discuss the possibilities of economic development for the area.
- The District is looking into alternative energy sources.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Vicki King, Board Secretary, South Page Community School District's District Office, Box 98, College Springs, Iowa, 51637.

BASIC FINANCIAL STATEMENTS

SOUTH PAGE COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2006

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and pooled investments:			
ISCAP (Note 5)	\$ 435,259	0	435,259
Other	606,226	0	606,226
Receivables:			
Property tax:			
Delinquent	27,769	0	27,769
Succeeding year	940,616	0	940,616
Income surtax	32,524	0	32,524
Accrued interest - ISCAP (Note 5)	3,679	0	3,679
Due from other governments	46,498	0	46,498
Inventories	0	2,575	2,575
Prepaid expenses	52,149	0	52,149
Capital assets, net of accumulated depreciation (Note 6)	1,537,402	5,067	1,542,469
Total Assets	3,682,122	7,642	3,689,764
Liabilities			
Excess of warrants issued over bank balance	0	8,921	8,921
Accounts payable	108,640	0	108,640
Salaries and benefits payable	7,039	0	7,039
ISCAP warrants payable (Note 5)	435,000	0	435,000
ISCAP accrued interest payable (Note 5)	3,186	0	3,186
ISCAP unamortized premium	3,068	0	3,068
Accrued interest payable	568	0	568
Deferred revenue:			
Succeeding year property tax	940,616	0	940,616
Long-term liabilities (Note 7):			
Portion due within one year:			
Revenue bonds payable	35,000	0	35,000
Portion due after one year:			
Revenue bonds payable	160,000	0	160,000
Total Liabilities	1,693,117	8,921	1,702,038
Net Assets			
Investment in capital assets, net of related debt	1,483,478	5,067	1,488,545
Restricted for:			
Early intervention	23,931	0	23,931
Physical plant and equipment levy	21,232	0	21,232
Other special revenue purposes	5,470	0	5,470
Unrestricted	454,894	(6,346)	448,548
Total Net Assets	\$ 1,989,005	(1,279)	1,987,726

SEE NOTES TO FINANCIAL STATEMENTS.

SOUTH PAGE COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2006

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Total
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business-Type Activities	
Functions/Programs						
Governmental activities:						
Instruction:						
Regular instruction	\$ 1,092,470	65,691	253,913	(772,866)	0	(772,866)
Special instruction	358,508	0	15,979	(342,529)	0	(342,529)
Other instruction	322,403	123,784	0	(198,619)	0	(198,619)
	<u>1,773,381</u>	<u>189,475</u>	<u>269,892</u>	<u>(1,314,014)</u>	<u>0</u>	<u>(1,314,014)</u>
Support services:						
Student services	3,615	0	0	(3,615)	0	(3,615)
Instructional staff services	69,140	0	0	(69,140)	0	(69,140)
Administration services	336,304	0	0	(336,304)	0	(336,304)
Operation and maintenance of plant services	243,172	0	0	(243,172)	0	(243,172)
Transportation services	135,098	0	3,358	(131,740)	0	(131,740)
	<u>787,329</u>	<u>0</u>	<u>3,358</u>	<u>(783,971)</u>	<u>0</u>	<u>(783,971)</u>
Other expenditures:						
Facilities and acquisitions	26,721	0	0	(26,721)	0	(26,721)
Long-term debt interest	7,452	0	0	(7,452)	0	(7,452)
AEA flowthrough	90,274	0	90,274	0	0	0
Depreciation(unallocated) *	61,580	0	0	(61,580)	0	(61,580)
	<u>186,027</u>	<u>0</u>	<u>90,274</u>	<u>(95,753)</u>	<u>0</u>	<u>(95,753)</u>
Total governmental activities	2,746,737	189,475	363,524	(2,193,738)	0	(2,193,738)
Business-Type activities:						
Non-instructional programs:						
Nutrition services	82,316	39,051	54,330	0	11,065	11,065
Total business-type activities	<u>82,316</u>	<u>39,051</u>	<u>54,330</u>	<u>0</u>	<u>11,065</u>	<u>11,065</u>
Total	<u>\$ 2,829,053</u>	<u>228,526</u>	<u>417,854</u>	<u>(2,193,738)</u>	<u>11,065</u>	<u>(2,182,673)</u>
General Revenues:						
Local tax for:						
General purposes				\$ 922,957	0	922,957
Capital outlay				20,340	0	20,340
Local option sales and services tax				143,026	0	143,026
Unrestricted state grants				965,329	0	965,329
Unrestricted investment earnings				11,256	89	11,345
Sale of equipment				41,622	0	41,622
Total general revenues				<u>2,104,530</u>	<u>89</u>	<u>2,104,619</u>
Change in net assets before capital contributions				(89,208)	11,154	(78,054)
Capital contributions				<u>0</u>	<u>3,277</u>	<u>3,277</u>
Changes in net assets				(89,208)	14,431	(74,777)
Net assets beginning of year, as restated (Note 13)				<u>2,078,213</u>	<u>(15,710)</u>	<u>2,062,503</u>
Net assets end of year				<u>\$ 1,989,005</u>	<u>(1,279)</u>	<u>1,987,726</u>

* This amount excludes the depreciation that is included in the direct expense of various programs.

SEE NOTES TO FINANCIAL STATEMENTS.

SOUTH PAGE COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2006

	General	Other Nonmajor Governmental Funds	Total
Assets			
Cash and pooled investments:			
ISCAP (Note 5)	\$ 435,259	0	435,259
Other	438,417	167,809	606,226
Receivables:			
Property tax:			
Delinquent	25,177	2,592	27,769
Succeeding year	869,713	70,903	940,616
Income surtax	32,524	0	32,524
Interfund	0	100	100
Accrued interest - ISCAP (Note 5)	3,679	0	3,679
Due from other governments	24,208	22,290	46,498
Prepaid expenses	0	52,149	52,149
Total Assets	\$ 1,828,977	315,843	2,144,820
Liabilities and Fund Balances			
Liabilities:			
Interfund payable	\$ 50	50	100
Accounts payable	60,019	48,621	108,640
Salaries and benefits payable	7,039	0	7,039
ISCAP warrants payable (Note 5)	435,000	0	435,000
ISCAP accrued interest payable (Note 5)	3,186	0	3,186
ISCAP unamortized premium	3,068	0	3,068
Deferred revenue:			
Succeeding year property tax	869,713	70,903	940,616
Income surtax	32,524	0	32,524
Total liabilities	1,410,599	119,574	1,530,173
Fund balances:			
Reserved for:			
Early intervention	23,931	0	23,931
Debt service	0	52,021	52,021
Unreserved	394,447	144,248	538,695
Total fund balances	418,378	196,269	614,647
Total Liabilities and Fund Balances	\$ 1,828,977	315,843	2,144,820

SEE NOTES TO FINANCIAL STATEMENTS.

SOUTH PAGE COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2006

Total fund balances of governmental funds (page 15) \$ 614,647

***Amounts reported for governmental activities in the
statement of net assets are different because:***

Capital assets used in governmental activities are not
financial resources and, therefore, are not report as
assets in in the governmental funds. 1,537,402

Accounts receivable income surtax, are not yet available
to finance expenditures of the current period. 32,524

Accrued interest payable on long-term liabilities is not
due and payable in the current period and, therefore, is
not reported as a liability in the governmental funds. (568)

Long-term liabilities, including revenue bonds, are not due
and payable in the current period and, therefore, are not
reported as liabilities in the governmental funds. (195,000)

Net assets of governmental activites (page 13) \$ 1,989,005

SEE NOTES TO FINANCIAL STATEMENTS.

SOUTH PAGE COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2006

	General	Other Nonmajor Governmental Funds	Total
REVENUES:			
Local sources:			
Local tax	\$ 825,753	228,046	1,053,799
Tuition	65,691	0	65,691
Other	34,437	136,621	171,058
Intermediate sources	3,797	0	3,797
State sources	1,191,181	75	1,191,256
Federal sources	137,597	0	137,597
Total revenues	2,258,456	364,742	2,623,198
EXPENDITURES:			
Current:			
Instruction:			
Regular instruction	1,092,910	0	1,092,910
Special instruction	358,508	0	358,508
Other instruction	186,674	135,729	322,403
	1,638,092	135,729	1,773,821
Support services:			
Student services	3,615	0	3,615
Instructional staff services	69,140	0	69,140
Administration services	333,874	400	334,274
Operation and maintenance of plant services	194,564	50,113	244,677
Transportation services	111,292	0	111,292
	712,485	50,513	762,998
Other expenditures:			
Facilities acquisitions	0	165,545	165,545
Long-term debt:			
Principal	0	35,000	35,000
Interest	0	7,579	7,579
AEA flowthrough	90,274	0	90,274
	90,274	208,124	298,398
Total expenditures	2,440,851	394,366	2,835,217
Deficiency of revenues under expenditures	(182,395)	(29,624)	(212,019)
Other financing sources(uses):			
Transfers in	0	54,767	54,767
Transfers out	0	(54,767)	(54,767)
Sale of equipment	1,807	0	1,807
Total other financing sources(uses)	1,807	0	1,807
Net change in fund balances	(180,588)	(29,624)	(210,212)
Fund balance beginning of year	598,966	225,893	824,859
Fund balance end of year	\$ 418,378	196,269	614,647

SEE NOTES TO FINANCIAL STATEMENTS.

SOUTH PAGE COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 JUNE 30, 2006

Net change in fund balances - total governmental funds (page 17) \$ (210,212)

*Amounts reported for governmental activities in the
 statement of activities are different because:*

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 151,131	
Depreciation expense	<u>(97,778)</u>	53,353

Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets.	35,000
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Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.	127
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Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds.	<u>32,524</u>
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Changes in net assets of governmental activities (page 14)	<u><u>\$ (89,208)</u></u>
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SEE NOTES TO FINANCIAL STATEMENTS.

SOUTH PAGE COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2006

	<u>School Nutrition</u>
Assets	
Inventories	\$ 2,575
Capital assets, net of accumulated depreciation(Note 6)	<u>5,067</u>
Total Assets	<u>7,642</u>
Liabilities	
Excess of warrants issued over bank balance	<u>8,921</u>
Net Assets	
Investment in capital assets, net of related debt	5,067
Unrestricted	<u>(6,346)</u>
Total Net Assets	<u><u>\$ (1,279)</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

SOUTH PAGE COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2006

	<u>School Nutrition</u>
OPERATING REVENUE:	
Local sources:	
Charges for services	\$ 39,051
OPERATING EXPENSES:	
Non-instructional programs:	
Food service operations:	
Salaries	30,956
Benefits	4,162
Supplies	46,737
Depreciation	461
TOTAL OPERATING EXPENSES	<u>82,316</u>
OPERATING LOSS	<u>(43,265)</u>
NON-OPERATING REVENUES:	
State sources	1,366
Federal sources	52,964
Interest income	89
TOTAL NON-OPERATING REVENUES	<u>54,419</u>
Change in net assets before contributed capital	11,154
Contributed capital	<u>3,277</u>
Net income	14,431
Net assets beginning of year	<u>(15,710)</u>
Net assets end of year	<u>\$ (1,279)</u>

SEE NOTES TO FINANCIAL STATEMENTS.

SOUTH PAGE COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2006

	<u>School Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 36,138
Cash received from miscellaneous	1,314
Cash payments to employees for services	(35,141)
Cash payments to suppliers for goods or services	<u>(42,397)</u>
Net cash used in operating activities	<u>(40,086)</u>
Cash flows from non-capital financing activities:	
State grants received	1,366
Federal grants received	<u>48,505</u>
Net cash provided by non-capital financing activities	<u>49,871</u>
Cash flows from capital and related financing activities:	
Purchase of capital assets	<u>(2,251)</u>
Cash flows from investing activities:	
Interest income	<u>89</u>
Net increase in cash and cash equivalents	7,623
Cash and cash equivalents at beginning of year	<u>(16,544)</u>
Cash and cash equivalents at end of year	<u><u>\$ (8,921)</u></u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (43,265)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	4,459
Depreciation	461
Increase in inventories	(119)
Decrease in salaries and benefits payable	(23)
Decrease in unearned revenue	<u>(1,599)</u>
Net cash used in operating activities	<u><u>\$ (40,086)</u></u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:	
Current assets:	
Cash and pooled investments	<u><u>\$ (8,921)</u></u>

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2006, the District received Federal commodities valued at \$4,459.

During the year ended June 30, 2006, the Nutrition Fund received contributed capital of \$3,277 from the Capital Projects Fund.

SEE NOTES TO FINANCIAL STATEMENTS.

SOUTH PAGE COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
YEAR ENDED JUNE 30, 2006

		<u>Private Purpose Trust</u>	<u>Scholarship</u>
Assets			
Cash and pooled investments	\$	2,000	
Liabilities			<u>0</u>
Net assets			
Reserved for scholarships	\$	<u>2,000</u>	

SEE NOTES TO FINANCIAL STATEMENTS.

SOUTH PAGE COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

(1) Summary of Significant Accounting Policies

The South Page Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the city of College Springs, Iowa, and the predominate agricultural territory in Page County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, South Page Community School District has included all funds, organizations, account groups, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The South Page Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Page County Assessors' Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference

reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net assets use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net asset consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The District's proprietary fund is the School Nutrition Fund. The Nutrition fund is used to account for the food service operations of the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

C. Measurement Focus and Basis of Accounting

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for

enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Balances

The following accounting policies are followed in preparing the balance sheet:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in the governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2004 assessed property valuations; is for the tax accrual period July 1, 2005 through June 30, 2006 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2005.

Interfund Receivables and Payables - During the course of its operations, the District has numerous transactions between funds. To the extent that certain transactions between funds had not been paid or received as of June 30, 2006 balances of interfund accounts receivable or payable have been recorded.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, machinery and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 1,000
Buildings	1,000
Land improvements	1,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	1,000

Capital assets are depreciated using the straight line method of depreciation over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	20 years
Machinery and equipment	5-20 years

Salaries and Benefits Payable - Payroll and related expenditures for annual contracts corresponding to the current school year, which is payable in July and August, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used

to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the statement of net assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Long-term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Balances - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

(2) **Cash and Pooled Investments**

The District's deposits at June 30, 2006 were entirely covered by Federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education and the Treasurer of the State of Iowa; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2006, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	Amortized Cost
Diversified Portfolio	\$ 31,236

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk. The investments in the Iowa Schools Joint Investment Trust were rated Aaa by Moody's Investors Service.

The District's investments are categorized to give an indication of the level of risk assumed by the District at year end. The certificates of deposit are classified as Category 1, which means the investments are insured or registered in the District's name.

At June 30, 2006, the District had investments in Certificates of Deposit maturing over one year which are stated at their fair value as follows:

	Fair Value
Certificates of deposit	\$ 2,000

(3) Due from and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2006 is as follows:

Receivable Fund	Payable Fund	Amount
Expendable Trust	General	\$ 50
Expendable Trust	Student Activity	50
Total		\$ 100

(4) Transfers

The detail of transfers for the year ended June 30, 2006 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects	\$ 54,767

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(5) Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. NA is

the trustee for the program. A summary of the District's participation in ISCAP at June 30, 2006 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued		Warrants Payable	Accrued Interest Payable
				Interest Receivable			
2005-06B	1/26/06	1/26/07	\$ 177,618	3,599	177,000		3,120
2006-07A	6/28/06	6/28/07	257,641	80	258,000		66
Total			\$ 435,259	3,679	435,000		3,186

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. There was no ISCAP advance activity in the General Fund for the year ended June 30, 2006.

The warrants bear interest and the available proceeds of the warrants are invested at the interest rates shown below:

Series	Interest	
	Rates on Warrants	Rates on Investments
2005-06A	4.000%	3.903%
2005-06B	4.500%	4.772%
2006-07A	4.500%	5.676%

(6) Capital Assets

Capital assets activity for the year ended June 30, 2006 is as follows:

	Balance			Balance
	Beginning of Year	Increases	Decreases	End of Year
Business-type activities:				
Machinery and equipment	\$ 71,112	5,528	0	76,640
Less accumulated depreciation	71,112	461	0	71,573
Business-type activities capital assets, net	\$ 0	5,989	0	5,067

	Balance Beginning of Year, as restated Note 13	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 52,000	0	0	52,000
Construction in progress	0	29,176	0	29,176
Total capital assets not being depreciated	52,000	29,176	0	81,176
Capital assets being depreciated:				
Buildings	2,446,685	3,985	0	2,450,670
Land improvements	241,367	105,663	0	347,030
Machinery and equipment	1,101,357	12,307	16,864	1,096,800
Total capital assets being depreciated	3,789,409	121,955	16,864	3,894,500
Less accumulated depreciation for:				
Buildings	1,237,856	44,228	0	1,282,084
Land improvements	132,751	17,352	0	150,103
Machinery and equipment	986,753	36,198	16,864	1,006,087
Total accumulated depreciation	2,357,360	97,778	16,864	2,438,274
Total capital assets being depreciated, net	1,432,049	24,177	0	1,456,226
Governmental activities capital assets, net	\$ 1,484,049	53,353	0	1,537,402

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 1,145
Support services:	
Administration	9,152
Operation and maintenance of plant	2,095
Transportation	23,806
	36,198
Unallocated depreciation	61,580
Total governmental activities depreciation expense	\$ 97,778
Business-type activities:	
Food service operations	\$ 461
Total business-type activities depreciation expense	\$ 461

(7) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2006 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Revenue bonds	\$ 230,000	0	35,000	195,000	35,000

Bonded Debt

Details of the District's June 30, 2006 revenue bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of February 1, 2003 Interest Rates	Principal	Interest	Total
2007	2.850 % \$	35,000	6,318	41,318
2008	3.200	35,000	5,260	40,260
2009	3.500	40,000	4,000	44,000
2010	3.750	40,000	240	40,240
2011	4.000	45,000	900	45,900
Total		\$ 195,000	16,718	211,718

(8) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2006, 2005 and 2004. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2006, 2005, and 2004 were \$77,734, \$71,785, and \$75,392 respectively, equal to the required contributions for each year.

(9) Risk Management

The District is a member in the Iowa School Employees Benefits Association (ISEBA), an Iowa Code Chapter 28E organization. ISEBA is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. The Association was formed in July 1999 for the purpose of managing and funding employee benefits. The Association provides coverage and protection in the following categories: medical, dental, vision and prescription drugs.

The District's contributions, which include deficit recovery assessments, to the risk pool are recorded as expenditures from its General Fund at the time of payment to the risk pool.

District contributions to ISEBA for the year ended June 30, 2006 were \$224,380.

Members agree to continue membership in the pool for a period of not less than one full year. After such a period, a member who has given 30 days prior written notice may withdraw.

South Page Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(10) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$90,274 for the year ended June 30, 2006 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(11) Deficit Net Assets

The Proprietary Fund, School Nutrition Fund had deficit unrestricted net assets of \$6,346 at June 30, 2006.

(12) Construction Commitment

The District has entered into a contract for a new playground. As of June 30, 2006, costs of \$29,716 had been incurred against the contract. The balance remaining at June 30, 2006 will be paid as work on the projects progresses.

(13) Restatement of Capital Assets

The District has to restate the capital assets due to the effects of miscalculations in the accumulated depreciation. The following is the restatement of the capital asset and governmental activities net assets:

Net assets, June 30, 2005, as previously reported	\$ 1,944,668
Capital assets miscalculations	<u>133,545</u>
Net assets, July 1, 2005, as restated for governmental funds	<u><u>\$ 2,078,213</u></u>

	Balance Beginning of Year	Increases	Decreases	Balance Beginning of Year, Restated
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 52,000	0	0	52,000
Total capital assets not being depreciated	52,000	0	0	52,000
Capital assets being depreciated:				
Buildings	2,456,685	0	10,000	2,446,685
Land improvements	176,282	65,085	0	241,367
Machinery and equipment	1,116,393	0	15,036	1,101,357
Total capital assets being depreciated	3,749,360	65,085	25,036	3,789,409
Less accumulated depreciation for:				
Buildings	1,301,008	0	63,152	1,237,856
Land improvements	96,954	35,797	0	132,751
Machinery and equipment	1,052,894	0	66,141	986,753
Total accumulated depreciation	2,450,856	35,797	129,293	2,357,360
Total capital assets being depreciated, net	1,298,504	29,288	(104,257)	1,432,049
Governmental activities capital assets, net	\$ 1,350,504	29,288	(104,257)	1,484,049

REQUIRED SUPPLEMENTARY INFORMATION

SOUTH PAGE COMMUNITY SCHOOL DISTRICT
BUDGETARY COMPARISON OF REVENUES, EXPENDITURES AND
CHANGES IN BALANCES -
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
AND PROPRIETARY FUNDS
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2006

	Governmental Funds Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
Revenues:						
Local sources	\$ 1,290,548	39,140	1,329,688	1,377,716	1,377,716	(48,028)
Intermdaiate sources	3,797	0	3,797	0	0	3,797
State sources	1,191,256	1,366	1,192,622	1,229,256	1,229,256	(36,634)
Federal sources	137,597	52,964	190,561	540,316	540,316	(349,755)
Total revenues	2,623,198	93,470	2,716,668	3,147,288	3,147,288	(430,620)
Expenditures:						
Instruction	1,773,821	0	1,773,821	2,588,841	2,588,841	815,020
Support services	762,998	0	762,998	778,542	778,542	15,544
Non-instructional programs	0	82,316	82,316	98,045	98,045	15,729
Other expenditures	298,398	0	298,398	1,038,293	1,038,293	739,895
Total expenditures	2,835,217	82,316	2,917,533	4,503,721	4,503,721	1,586,188
Excess(deficiency) of revenues over(under) expenditures	(212,019)	11,154	(200,865)	(1,356,433)	(1,356,433)	1,155,568
Other financing sources, net	1,807	3,277	5,084	9,761	9,761	(4,677)
Excess(deficiency) of revenues over(under) expenditures	(210,212)	14,431	(195,781)	(1,346,672)	(1,346,672)	1,150,891
Balance beginning of year	824,859	(15,710)	809,149	1,301,603	1,301,603	(492,454)
Balance end of year	\$ 614,647	(1,279)	613,368	(45,069)	(45,069)	658,437

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SOUTH PAGE COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2006

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparison for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functional areas, not by fund or fund type. These four functional areas are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

OTHER SUPPLEMENTARY INFORMATION

SOUTH PAGE COMMUNITY SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2006

	Special Revenue Funds							
	Manage-	Physical			Total			Total
	ment	Student	Equipment	Expendable	Special	Debt	Capital	Nonmajor
	Levy	Activity	Levy	Trust	Revenue	Service	Projects	Governmental
								Funds
Assets								
Cash and pooled investments	\$ 0	5,076	21,414	344	26,834	52,021	88,954	167,809
Receivables:								
Property tax:								
Current year delinquent	1,972	0	620	0	2,592	0	0	2,592
Succeeding year	52,000	0	18,903	0	70,903	0	0	70,903
Interfund	0	0	0	100	100	0	0	100
Due from other governments	0	0	0	0	0	0	22,290	22,290
Prepaid expense	52,149	0	0	0	52,149	0	0	52,149
Total Assets	\$ 106,121	5,076	40,937	444	152,578	52,021	111,244	315,843
Liabilities and Fund Balances								
Liabilities:								
Accounts payable	\$ 26,198	0	802	0	27,000	0	21,621	48,621
Interfund payable	0	50	0	0	50	0	0	50
Deferred revenue:								
Succeeding year property tax	52,000	0	18,903	0	70,903	0	0	70,903
Total liabilities	78,198	50	19,705	0	97,953	0	21,621	119,574
Fund balances:								
Reserved for:								
Debt Service	0	0	0	0	0	52,021	0	52,021
Unreserved	27,923	5,026	21,232	444	54,625	0	89,623	144,248
Total fund balances	27,923	5,026	21,232	444	54,625	52,021	89,623	196,269
Liabilities and Fund Balances	\$ 106,121	5,076	40,937	444	152,578	52,021	111,244	315,843

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SOUTH PAGE COMMUNITY SCHOOL DISTRICT
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2006

	Special Revenue Funds							
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Expendable Trust	Total Special Revenue	Debt Service	Capital Projects	Total Nonmajor Governmental Funds
REVENUES:								
Local sources:								
Local tax	\$ 64,680	0	20,340	0	85,020	0	143,026	228,046
Other	2,788	130,486	0	2	133,276	1,137	2,208	136,621
State sources	57	0	18	0	75	0	0	75
TOTAL REVENUES	67,525	130,486	20,358	2	218,371	1,137	145,234	364,742
EXPENDITURES:								
Current:								
Instruction:								
Other instruction	0	135,729	0	0	135,729	0	0	135,729
Support services:								
Administration services	0	0	0	0	0	400	0	400
Operation and maintenance of plant services	50,113	0	0	0	50,113	0	0	50,113
Other expenditures:								
Facilities and acquisitions	0	0	5,831	0	5,831	0	159,714	165,545
Long-term debt:								
Principal	0	0	0	0	0	35,000	0	35,000
Interest	0	0	0	0	0	7,579	0	7,579
TOTAL EXPENDITURES	50,113	135,729	5,831	0	191,673	42,979	159,714	394,366
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	17,412	(5,243)	14,527	2	26,698	(41,842)	(14,480)	(29,624)
OTHER FINANCING SOURCES (USES):								
Transfer in	0	0	0	0	0	54,767	0	54,767
Transfer out	0	0	0	0	0	0	(54,767)	(54,767)
TOTAL OTHER FINANCING SOURCES (USES)	0	0	0	0	0	54,767	(54,767)	0
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING SOURCES (USES)	17,412	(5,243)	14,527	2	26,698	12,925	(69,247)	(29,624)
FUND BALANCE BEGINNING OF YEAR	10,511	10,269	6,705	442	27,927	39,096	158,870	225,893
FUND BALANCE END OF YEAR	\$ 27,923	5,026	21,232	444	54,625	52,021	89,623	196,269

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SOUTH PAGE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
YEAR ENDED JUNE 30, 2006

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Drama	\$ 2,223	228	684	1,767
Vocal	1,910	0	0	1,910
Instrumental	(349)	439	675	(585)
Football	(62)	2,059	57	1,940
Baseball	216	882	1,098	0
Athletics	(7,560)	25,225	26,238	(8,573)
Weightlifting Club	686	1,183	1,215	654
Girls Softball Club	318	0	0	318
Gate Change	(125)	1,250	1,275	(150)
General Student Activity	45	1,252	711	586
Pop Machine	329	9,651	10,357	(377)
Elementary Carnival	2,245	36,855	42,155	(3,055)
Seniors	(230)	0	(230)	0
Class of 2004	649	0	649	0
Class of 2005	156	30	186	0
Class of 2006	2,460	720	3,180	0
Class of 2007	164	17,801	13,917	4,048
Class of 2008	149	198	63	284
Class of 2009	482	122	0	604
Class of 2010	95	76	0	171
Class of 2011	(32)	15	(17)	0
Annual	(7,870)	7,279	2,917	(3,508)
Corner Conference	0	700	100	600
National Honor Society	3,509	4,278	5,218	2,569
Cheerleaders	813	1,020	1,229	604
Drill Team	422	181	593	10
Student Council	195	0	0	195
FCCLA	(246)	431	0	185
FFA	3,349	12,089	13,603	1,835
Science Trip	259	0	259	0
MS Student Council	2,347	1,566	3,700	213
Spanish Club	7	2,327	2,011	323
Washington DC Trip	(220)	0	(220)	0
Library	1,308	1,707	1,440	1,575
Student Restaurant	(54)	0	(54)	0
Padlocks	112	275	387	0
Computer Tech	195	0	195	0
Booster Club	1,208	647	972	883
I.T. Club	493	0	493	0
Fountain Pop	673	0	673	0
Total	\$ 10,269	130,486	135,729	5,026

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SOUTH PAGE COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
 ALL GOVERNMENTAL FUND TYPES
 FOR THE LAST FOUR YEARS

		Modified Accrual Basis			
		Years Ended June 30,			
		2006	2005	2004	2003
Revenues:					
Local sources:					
Local tax	\$	1,053,799	1,167,875	1,159,197	1,099,361
Tuition		65,691	65,477	51,912	72,060
Other		171,058	139,346	166,910	157,174
Intermediate sources		3,797	0	0	4,390
State sources		1,191,256	1,253,081	1,302,959	1,307,777
Federal sources		137,597	129,141	489,953	167,145
Total	\$	2,623,198	2,754,920	3,170,931	2,807,907
Expenditures:					
Current:					
Instruction:					
Regular instruction	\$	1,092,910	1,047,608	1,015,036	974,387
Special instruction		358,508	319,517	325,089	347,420
Other instruction		322,403	330,026	282,762	294,232
Support services:					
Student services		3,615	4,178	21,669	98,780
Instructional staff services		69,140	52,201	21,005	22,690
Administration services		334,274	318,601	348,487	332,968
Operation and maintenance of plant services		244,677	257,790	213,837	193,204
Transportation services		111,292	156,367	84,470	83,475
Other expenditures:					
Facilities acquisitions		165,545	161,259	534,691	174,018
Long-term debt:					
Principal		35,000	30,000	30,000	0
Interest		7,579	9,393	10,598	3,800
AEA flow-through		90,274	92,612	94,165	100,403
Total	\$	2,835,217	2,779,552	2,981,809	2,625,377

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.
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(a professional corporation)
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Telephone (641) 792-1910

Independent Auditor's Report on Internal Control over Financial Reporting and
on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Board of Education of the
South Page Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of South Page Community School District as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated October 25, 2006. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered South Page Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part I of the accompanying Schedule of Findings.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item I-A-06 is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether South Page Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2006 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the officials, employees, and citizens of South Page Community School District and other parties to whom South Page Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of South Page Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.


NOLTE, CORNMAN & JOHNSON, P.C.

October 25, 2006

SOUTH PAGE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2006

Part I: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

- I-A-06 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal were all done by the same person.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - We will investigate available alternatives and implement as soon as possible.

Conclusion - Response accepted.

- I-B-06 Student Activity Fund - During our audit issues arose about the properness of certain receipts, expenditures and accounts within the Student Activity Fund. Inappropriate expenditures would include any expenditure more appropriate to other funds. The Student Activity Fund shall not be used as a clearing account for any other fund. This is not an appropriate fund to use for public tax funds, trust funds, state and federal grants or aids, textbook/library book fines, fees, rents, or sales, textbook/library book purchases, sales of school supplies, curricular activities, or any other revenues or expenditures more properly included in another fund. Moneys in this fund shall be used to support only the cocurricular program defined in department of education administrative rules (298A.8). More specific findings are as follows:

There was a Hockenberry Grant for playground equipment receipted into the Student Activity Fund and subsequent expenditures for the playground equipment.

We noted that there was an interest account.

Recommendation - The purpose of the Student Activity Fund is to account for financial transactions related to the cocurricular and extracurricular activities offered as a part of the education program for the students established under Iowa Administrative Code 281--12.6(1). The District should review the propriety of receipts and expenditures that are recorded in the Student Activity Fund. It would appear the some of the accounts appear to be more administratively maintained in nature, rather than maintained by a club or organization. Therefore, they need to be corrected or transferred to the proper fund where these monies can be receipted and expended. The interest earned each year should be allocated out at on an annual basis to the individual activity accounts.

Response - The District will be mindful of the purpose of the Student Activity Fund and ensure that only appropriate receipts and expenditures are being accounted for in this fund. In the future, interest will be allocated out on an annual basis.

Conclusion - Response accepted.

I-C-06 Supporting Documentation - We noted during the audit that the District reimbursed an employee for expenses incurred without detailed receipts supplied for support documentation. It was also noted there was a charge to the District credit card that lacked a detail receipt for support documentation.

Recommendation - The District has a policy in place for credit card usage, which states that the users of the credit cards need to provide detailed receipts for purchases made. The District should review procedures in place with personnel seeking expense reimbursements or using the district credit card to ensure that the proper detailed documentation will be provided before reimbursement will be authorized.

Response - The District will devise a procedure for credit card use which will include a provision that a detailed receipt for purchases must be present before reimbursement will be allowed. Reimbursement procedures will be reviewed annually with the staff.

Conclusion - Response accepted.

I-D-06 Purchase Orders - We noted during our audit that purchase orders were dated after the supplies had been either ordered or received. It was also noted that the District is not using pre-numbered purchase orders.

Recommendation - This procedure should be reviewed and necessary changes made so that all expenditures have a pre-numbered purchase order that is approved by the appropriate administrator before the ordering of supplies takes place.

Response - The District will pre-number all purchase orders and instruct staff of the procedure requiring approval before purchases are made.

Conclusion - Response accepted.

I-E-06 PPEL Expenditures - We noted that the District is currently making purchases from Special Revenue, Physical Plant and Equipment Levy (PPEL) Fund which do not appear to be in compliance with Chapter 423 and 298 of the Code of Iowa. The District purchased a refrigerator and sewing machines which were below the single unit price of \$500.

Recommendation - The District should review their procedures to ensure that purchases made from these funds are in compliance with Chapter 423 and 298 of the Code of Iowa.

Response - The District will review its procedures to ensure that purchases made from the Special Revenue, Physical Plant and Equipment Levy (PPEL) Fund are in compliance with Chapter 423 and 298 of the Code of Iowa.

Conclusion - Response accepted.

I-F-06 Payroll Procedures - It was noted that a payroll report was not filed in a timely manner. It was also noted that an employee was being paid more than their contract stated.

Recommendation - The District should review their procedures to ensure that all payroll reports are filed in a timely manner and that all employees are receiving their contracted wage rates.

Response - Payroll reports are currently being filed in a timely manner and all employees are receiving their contracted wage rates.

Conclusion - Response accepted.

I-G-06 Commodity Pricing - We noted during the audit that the commodity food listing was not priced out correctly at the end of the year.

Recommendation - The District should review their inventory procedures to ensure that the commodity food is priced out correctly at the end of each fiscal year.

Response - The Nutrition department has requested and will use updated forms and figures to ensure that commodity food is priced out correctly at the end of the fiscal year.

Conclusion - Response accepted.

SOUTH PAGE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2006

Part II: Other Findings Related to Statutory Reporting

- II-A-06 Certified Budget - District expenditures for the year ended June 30, 2006, did not exceed the amount budgeted.
- II-B-06 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- II-C-06 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- II-D-06 Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Jordan Butt, Teacher Spouse performed various services	Services	\$37
Connie Stevens, Associate Spouse owns Stevens Brothers	Services	\$3,800
Deb Wallin, Board Member Spouse owns Wallin's Heating and Cooling	Services	\$1,609

In accordance with the Attorney General's opinion dated November 9, 1976, the above transactions with the spouses of the employees and board member do not appear to represent a conflict of interest.

- II-E-06 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-F-06 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- II-G-06 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.

II-H-06 Deposits and Investments - We noted no instances of non-compliance with the deposits and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy. However, we did note that the District was not receiving the proper interest rate, set by the State Rate Setting Committee, on their Certificate of Deposit.

Recommendation - The District should contact the bank and request that the proper interest rate be received.

Response - The District will contact the bank in order to receive the proper interest rate.

Conclusion - Response accepted.

II-I-06 Certified Annual Report - The Certified Annual Report was not properly certified to the Iowa Department of Education by October 13, 2006.

Recommendation - In the future, the District should ensure the Certified Annual Report is timely certified to the Iowa Department of Education.

Response - In the future, the Certified Annual Report will be filed with the Department of Education timely.

Conclusion - Response accepted.

II-J-06 Financial Condition - We noted during our audit that the Student Activity Fund included accounts with negative balances. We also noted that the Proprietary Fund, School Nutrition Fund had deficit unrestricted net assets of \$6,346 at June 30, 2006.

Recommendation - The District should monitor these deficit accounts and ensure that purchases are not made without the sufficient funds to pay for them.

Response - We will investigate the reporting of negative balances and ensure that all employees understand that negative balances are not authorized.

Conclusion - Response accepted.